

Zwipe Q3 2019 Operational Update

OSLO, NORWAY – 6 November 2019

Q3 2019 highlights and recent developments

During the third quarter Zwipe focused on extending its technology portfolio and network of partners covering the biometric payment card and wearables value chain:

- Zwipe entered ground-breaking agreement with industry leader Idemia for a disruptive biometric payment card platform
- Zwipe was selected by dz card to launch biometric payment cards in South East Asia, expanding Zwipe's global network of card manufacturer clients
- The "Zwipe Experience" was introduced to set industry benchmark for facilitated go-to-market program
- G+D chose Zwipe to develop biometric payment wearable
- Zwipe delivered the first customer order of its second-generation biometric card inlay
- Successful prototype completion of Zwipe's proprietary "Z5" energy harvesting and power management integrated circuit (ASIC)
- Q3 revenues of MNOK 1.0 (0.9) on biometric payment card inlays and wearables project
- Average monthly cash flow at MNOK -7.6 (-5.6) in Q3, versus MNOK -8.9 in first half year 2019

Status update from the CEO

André Løvestam, CEO of Zwipe said "Q3 2019 exceeded our expectations and we are happy with the major milestones we have completed over the last months. The announced collaboration with Idemia on a disruptive technology platform for biometric payments represents a defining moment for Zwipe. The new biometric payments platform will drastically reduce product and manufacturing costs by integrating into a single chip the functions that previously required a Secure Element, a Microcontroller, and more than thirty external components. This enables Zwipe to take a strong cost leadership position and gain competitive advantage as the industry moves towards large-scale volumes.

In parallel, we are forging ahead with our internal research and development activities and have expanded our intellectual property (IP) portfolio. In the period, our in-house IP development has progressed well. Zwipe now has 31 granted patents across 10 patent families in its IP portfolio, representing significant licensing revenue potential for the company going forward. Immediately after the closing of Q3, we announced the successful completion of a two-year development project: a working prototype of our Z5 chip which we plan to commercialize to stakeholders across the payments ecosystem, both as a stand-alone chip and as part of our biometric payment platform, the biometric inlay.

We have complemented our products with services. At the end of the quarter, Zwipe introduced the "Zwipe Experience" to its customers – a comprehensive program of products and services, enabling the card manufacturers to prepare for all aspects of launching biometric payment cards.

With product development taking positive strides, we have also continued expanding our network of customers. In Q3 we added Thailand-based card manufacturer dz card to our already substantial global customer network. Dz card plans to launch biometric payment solutions to address the emerging needs of customers in Thailand and across Southeast Asia, a region poised to see exponential growth in payment card adoption over the coming years.

Beyond dual-interface payment cards, we are pursuing complementary payment solutions where our technology represents a competitive advantage for our customers. During the quarter, we announced that we had been engaged by G+D Mobile Security, one of the world's largest players within security solutions, to provide product design and prototyping for a wearable biometric payment device to be piloted by a leading bank.

With good momentum in these two emerging product verticals, we are confident that our focus on building relationships with our customers will play a major role in securing both short- and long-term success for the company. The new relationships diversify our customer base and extend our geographical presence, securing ties with regional leading card manufacturers and banks. Industry leaders in the biometric payment industry such as Idemia and G&D are firming up their roles, setting up commercial structures and investing in trial and production capacity. The fact that they select Zwipe as a key partner for their endeavours is a testament to our strong role in the value-chain.

It is exciting for us to see that our future potential is materializing in near-term commercial opportunities. Our initial sales of biometric card inlays, and customer-funded engineering efforts are opening doors for greater opportunities going forward. I am delighted to see that the steps we have taken are starting to bear fruit."

Financials and Significant Events During Third Quarter 2019

Financial Status

During the third quarter Zwipe had revenues of MNOK 1.0 (0.9) representing sale of products for trial purposes as well as NRE invoiced to certain customers for specific developments. Accumulated revenues for the year amount to MNOK 1.3 (1.6).

Average monthly cash flow during Q3 2019 was MNOK -7.6 (-5.6), compared to MNOK -8.9 in the first half of 2019. The closing cash balance at end of Q3 was MNOK 51.0.

Subsequent event: Completed prototype Zwipe Z5 chip

After closing of the third quarter, Zwipe announced the successful prototype completion and power-on of its in-house developed "Z5" energy harvesting and power management integrated circuit (ASIC). The proprietary new chip is a significant milestone in component consolidation, cost reduction and efficiency improvement for Zwipe. Commercial samples are planned to be ready by mid-2020, by which time mass production can start. The Z5 chip will precede and subsequently complement the emerging biometric payment technology platform announced with Idemia.